Statewide Technical and Community College System
Case Narrative

Statewide Technical and Community College System (STCCS) is a multi-college, multi-campus system providing credit instruction, noncredit instruction, and training primarily to state residents. The colleges offer a variety of certificate and associate degree programs. The technical colleges provide a variety of programs both independently and through contracts with many of the state's major employers. The community colleges are recognized as a high quality option for those seeking to obtain the first two years of education toward baccalaureate degree programs.

There are 26 colleges within the system, consisting of both community colleges—some with multiple campuses—and technical colleges. The colleges' noncredit programs provided 2,055,000 contact hours to more than 75,200 students registered for 119,200 programs during the 2001-02 academic year. Credit instruction was provided to 235,000 students, representing a full-time-equivalent of just under 90,000 students.

The campuses range in age from 5 to 55 years with an average age of 36.5 years. Deferred maintenance varies among the colleges, but each campus has a backlog that would take several years to address. The current priorities are to avoid adding new facilities unless they include reserve funds to assure that the deferred maintenance backlog does not increase.

The accompanying financial statements are presented in accordance with the new GASB reporting standards. The system is in good financial health, although the last fiscal year ended with a slight deficit from operations. The deficit was offset by investment income resulting in a positive bottom line for the year.

The financial statements for the most recently completed fiscal year include the following calculated financial ratios:

Primary Reserve Ratio	.81
Return on Net Assets Ratio	2.55%
Net Operating Revenues Ratio	-4.06%
Viability Ratio	13.77
Composite Financial Index (CFI) (using equal weighting of the ratios)	3.63

These ratios have meaning standing alone. The STCCS might compare its standing on the ratios alone, compare the ratios as they developed over time, or choose to develop other uses of the ratios appropriate to its specific needs.

The upcoming year provides several strategic opportunities described below. Each initiative is independent of the others and only one can be pursued. The financial implications for each initiative assume that all other factors for the year will remain as they would have been if the initiative were not undertaken. Assuming no initiatives are undertaken, the CFI is expected to increase from 3.63 to 3.80.

Initiative 1. A new regional industrial park is under development on property that previously was the site of a military base. The park is expected to create thousands of jobs in an area that historically has had high unemployment since the base closure some 15 years ago. The state's economic development unit already has succeeded in attracting a number of high tech and light industry employers to the park. A key element in the state's continuing economic development initiative is the availability of adequate educational opportunities for employees working at the park.

STCCS is considering establishing a new consolidated community/technical college to serve the educational needs of the industrial park tenants and the region. If STCCS will commit to the establishment of the new college, the balance of the base acreage will be turned over to STCCS for use by the new college. This approach would reduce the development time and start-up costs for a new college significantly.

This initiative would have a major financial impact in FY 2003. Although some non-operating revenue would be realized due to the receipt of the base for the campus, no other revenues would be generated from the new campus for two years. The out-of-pocket costs to convert the base for capital purposes will require the issuance of long-term debt. The impact on the FY 2003 bottom line is negligible because the majority of the costs will be capitalized. Overall, it is expected the CFI will shift from 3.80 to 3.56.

Initiative 2. A large prestigious four-year institution, Elite College (EC), has responded favorably to STCCS's overtures for guaranteed admission of qualified STCCS graduates. EC is willing to guarantee admission for all STCCS graduates achieving a 3.4 GPA in any of several programs offered at STCCS campuses. The "catch" is that EC requires entering freshmen to have laptop computers because of the reliance on technology-enhanced instruction. EC has expressed concerns that STCCS's programs do not place sufficient emphasis on technology and, therefore, has included a requirement that STCCS increase its use of technology in the relevant academic programs at each college.

The financial impact of this initiative would be significant in 2003. There will be no increased revenue on a direct basis from this initiative. It is expected that the guaranteed admissions will help with enrollments over the long-term but the research in support of this was conducted before the current economic downturn. The impact on the FY 2003 bottom line is negative due to the need to hire more instructional technologists as well as the increased capital costs to upgrade technology on several campuses. Overall, it is expected that the CFI will shift from 3.80 to 3.62.

Initiative 3. As a result of significant demographic changes throughout the state, the state's universities find themselves unable to accommodate every student wishing to pursue a bachelor's degree. The STCCS has been asked to participate in the development of a plan that would enable each STCCS campus to serve as a telecommunicated learning site for upper division students. Under such an arrangement, qualified students could complete their final two years of college by attending classes at any public campus within the state. The university through which the programs are offered would award baccalaureate degrees, but STCCS (and the individual campuses) would receive revenues through a new funding formula designed to support the model. This initiative would complement the state's virtual university and would not offer Web-based instruction. The costs of this effort are fairly significant because of the need for satellite receivers and related technology on campuses that do not have them already. These costs would be capitalized, however, and only a portion of them would affect FY 2003 financial results. The revenues from the arrangement are expected to approximate the first-year depreciation, resulting in no change in the projected CFI of 3.80.

Statewide Technical & Community College System
Statement of Net Assets
As of June 30, 2002
(amounts in thousands)

ASSETS	
Current Assets	
Cash and cash equivalents	$108,604
Short-term investments	1,079,800
Appropriations receivable	9,436
Other accounts receivable	53,203
Inventory	22,738
Prepaid expenses	8,033
Total Current Assets	$1,281,814
Noncurrent Assets	
Long-term investments	773,467
Student loans, net of allowance for uncollectible loans of $806	3,315
Fixed assets, net of accumulated depreciation of $870,346	2,005,152
Total Noncurrent Assets	$2,781,934
TOTAL ASSETS	$4,063,748
LIABILITIES	
Current Liabilities	
Accounts payable	36,117
Accrued salaries	42,059
Accrued compensated absences	29,050
Other accrued liabilities	162,135
Deposits held in custody for others	23,207
Deferred tuition and fees revenue	51,439
Other deferred revenue	5,152
Current portion of bonds payable	9,539
Total Current Liabilities	$358,698
Noncurrent liabilities	
Bonds payable	114,625
Total Noncurrent Liabilities	$114,625
TOTAL LIABILITIES	$473,323
NET ASSETS	
Invested in capital assets	1,880,987
Restricted Expendable for:	
Capital projects	136,002
Other	44,696
Unrestricted	1,528,740
TOTAL NET ASSETS	$3,590,425